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MEMORANDUM FOR THE RECORDS

17 July 1951

SUBJECT: Further Conversation with Air Force on Profit Margins

1. This is in supplement to the Memorandum for the Record on the above subject, dated 13 July 1951.

2. [] called me today to pass on some additional information which he has received by telephone from Wright Field. The Field considers [] as a good quality manufacturer but not low cost. Profit margins in fixed-price contracts with [] have not been more than 10%. However, these contracts have contained the form IIB Redetermination Clause set forth in the Army Procurement Regulations, with no ceiling on upward revision of the price.

2. [] usually demands a high per cent of profit at the commencement of negotiations and it has been especially troublesome to get them down to a figure which the Air Force will accept. Consequently, Wright Field does not enter into Letters of Intent with []

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